

VZCZCXRO8580
OO RUEHCI
DE RUEHKT #0202/01 0720825
ZNR UUUUU ZZH
O 130825Z MAR 09
FM AMEMBASSY KATHMANDU
TO RUEHC/SECSTATE WASHDC IMMEDIATE 9926
INFO RUEHBJ/AMEMBASSY BEIJING PRIORITY 6879
RUEHLM/AMEMBASSY COLOMBO PRIORITY 7195
RUEHKA/AMEMBASSY DHAKA PRIORITY 2514
RUEHIL/AMEMBASSY ISLAMABAD PRIORITY 5239
RUEHLO/AMEMBASSY LONDON PRIORITY 6390
RUEHNE/AMEMBASSY NEW DELHI PRIORITY 2938
RUEHCI/AMCONSUL KOLKATA PRIORITY 4538
RUCPDO/DEPT OF COMMERCE WASHINGTON DC PRIORITY
RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY

UNCLAS SECTION 01 OF 02 KATHMANDU 000202

SENSITIVE
SIPDIS

E.O. 12958: N/A

TAGS: [EAIR](#) [ETRD](#) [EINV](#) [PREL](#) [PTER](#) [EAID](#) [NP](#)

SUBJECT: PROSPECTIVE SALE OF BOEINGS TO NEPAL AIRLINES MAY
FACE CHALLENGE

Summary

1. (SBU) According to a Washington, D.C.-based representative for Boeing Corporation, Maoist-led Government of Nepal representatives have indicated that the prospective purchase by state-owned Nepal Airlines Corporation (NAC) of Boeing aircraft is conditional on the lifting by the U.S. of the terrorist designations against the United Communist Party of Nepal (Maoist). Samir Sahgal, who is Boeing's Director for International Operations in D.C., told Emboff March 10 that an economic adviser to Prime Minister Dahal had conveyed that message in meetings in the United States in late 2008. According to Sahgal, NAC has already provided Boeing with a request for information regarding the purchase of up to six aircraft. Boeing anticipates a formal request for proposal soon, and is eager to make sales, but is concerned that Airbus may beat it to the punch.

Airplanes and Terrorist Tags

2. (SBU) During a phone call to post on March 10, the Director for International Operations in Boeing Corporation's Washington, D.C. office, alerted Emboff that the prospective purchase by state-owned Nepal Airlines Corporation (NAC) of Boeing aircraft was encountering some snags. According to Samir Sahgal, the Maoist-led Government of Nepal (GON) has informed Boeing that it is interested in acquiring Boeing aircraft. But he noted that an adviser to the Prime Minister, Pramod Kafle, had indicated that any purchase would be conditional on the lifting by the United States of the terrorist designations against the United Communist Party of Nepal (Maoist). Sahgal said that Kafle had passed along that message in a late 2008 visit to the U.S., including a trip to Boeing headquarters in Seattle. The International Operations Director stated that Suvendoo Ray, who is Boeing's Director for Sales for Nepal, had heard the same refrain when he met senior GON officials in Kathmandu in January 2009. Ray did not share this information when he met the Ambassador.

NAC Looking for Planes; Boeing Eager To Sell

3. (SBU) Sahgal informed Emboff that Boeing had received a request for information in mid-February from the Managing Director of NAC that spelled out NAC's interest in up to six large aircraft. The International Operations Director said he anticipated receiving a formal request for proposals from NAC in the coming weeks. Boeing had aircraft available and was offering good terms, including a very low down payment

and probable Export-Import Bank financing, but Sahgal was concerned that the continuation of the terrorist listing would preclude a sale. Even if the listing did not prevent NAC from deciding to buy a Boeing aircraft, the question arose if any sale of aircraft by Boeing would run afoul of Office of Foreign Assets Control restrictions. He asked what the likelihood was of the designations being lifted any time soon. He expressed concern that Airbus would take advantage of the situation to replace the airline's existing fleet of Boeings with Airbus aircraft.

Comment

14. (SBU) When Boeing's Director for Sales met with the Ambassador in January, Ray highlighted his concern that Airbus was trying to prevent Nepal Airlines from buying Boeing aircraft. Ray failed to mention that the Maoists were conditioning a sale on lifting of the terrorist designations.

Finance Minister Baburam Bhattarai indicated in his budget speech in September 2008 that the GON was prepared to issue sovereign guarantees for two large aircraft and his government claims to be serious about boosting tourism. NAC is desperately in need of new aircraft. In the short term, as Boeing concedes, the airline requires leased aircraft in order quickly to rebuild its market share and reputation which persistent flight cancellations and mechanical failures over several years have badly jeopardized. Boeing seems to think the airline can be revived and is prepared to assist. The GON would be wise to seize the opportunity without any political conditions.

KATHMANDU 00000202 002 OF 002

POWELL